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From: Tom Walsh[O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP
(FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=80661838584F4AB9ACD20CEBD790ECDA-TW]
Sent: Wed 1/18/2017 8:59:59 AM (UTC)
Subject: Shang Peng - Ascentra Exclusive Distribution Agreement
MOU Ascentra - Shang Peng signed.pdf
Ascentra - Shang Peng Distribution Agreement ENG final.doc
Exclusive Distribution Agreement Overview.pptx

Confidential

David,

One more item of keen interest to the shareholders that I need KWM's prompt help with:

As I believe you are aware, the company previously explored an over-arching legal framework for the "spin off" of the china business to Shang Peng in the form of an asset sale transaction. This proved difficult for a variety of reasons, including difficulty in ascertaining and agreeing upon liabilities to be transferred and significant risks of minority or creditor litigation. Consequently, we have been pursuing an alternative legal framework, which frankly seems like a much better one: an exclusive distribution agreement whereby Ascentra retains all assets and liabilities but instead gives Shang Peng exclusive access to its customer list and distribution rights in China under the new compliant business model KWM has helped develop. The details are outlined in the attached MOU, signed previously by the three main shareholders (an overview also is provided on the attached PPT slide). The MOU, in turn, is the outline for the attached Exclusive International Distributor Agreement. Both of these documents, and the ancillary agreements mentioned therein have been prepared with the help of our US legal counsel, Manatt (e.g., the share transfer, share cancellation, private control agreements and cross-company support services/license/product purchase agreements). In an abundance of caution, our board and main shareholders want to make sure KWM has no objection to the overall deal concept and also, specifically, no objection to the ongoing "true-up" payment terms. As to the latter, the true up mechanism provides a fair way for Shang Peng to effectively maintain the 23% stake that Motohiko Homma has maintained until now relative to the other shareholders (prior to his relinquishment of Ascentra shares, which will occur once this transaction proceeds). The true up payments, one way or the other, are contemplated to be made by Ascentra Holdings, Inc. to Shang Peng Gao Ke, Inc., or vice versa, as warranted. Manatt and I view this "true up" payment mechanism as an appropriate negotiated payment term and not as evidence indicating that Ascentra and Shang Peng actually are one consolidated entity. Please advise if you agree or if we need to discuss further comments you may have to the agreement documents.

The shareholders want to proceed with finalized documents to implement this exclusive distribution arrangement by the middle of next week, so I would like to get your confirmation/advice by Monday 23rd or Tuesday 24th.

Thanks, Tom

